

Hyperion Asset Management Limited

Environmental, Social and Governance (ESG) Policy

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1 Purpose

Hyperion Asset Management Limited's (**Hyperion**) Environmental, Social & Governance (**ESG**) Policy describes our approach to integrating ESG considerations into our investment decisions and into our business. The Policy applies to all Hyperion investments¹.

2 Introduction

Hyperion's mission is to sustainably grow our clients' capital over the long term. We only invest our clients' capital in those businesses that we believe are high quality with strong and sustainable value propositions to all stakeholders. The stakeholders include the wider community, and we conduct an assessment of the company's future likely long-term impact on the overall natural environment, including its carbon footprint. Companies that do not offer strong and sustainable long-term value propositions are unlikely to possess the required business quality and risk characteristics to be included in Hyperion's portfolios.

3 What ESG Means to Hyperion

3.1 Defining ESG

Environmental

Environmental includes climate change, the preservation of biodiversity, energy efficiency, water and ground pollution, use of natural resources, including combatting deforestation, and water and waste management.

Social

Social includes employee development and labour practices, data protection and privacy, community involvement, health and safety standards, diversity and inclusion, quality of life, enhancements in knowledge, and advances in supportive technology and improved sustainability.

Governance

Governance includes shareholders' rights, board diversity, executive compensation, accounting standards, and corporate behaviour, such as bribery and corruption.

3.2 Our Approach to ESG

The factors identified below are considered by the investment team throughout the entire investment process. Whether each of the below factors is investigated in detail will depend on the individual company and the likelihood of its applicability. For the

¹ In limited circumstances, a segregated mandate client may request that some provisions of this Policy do not apply to their portfolio.

factors that are identified as applicable, either at the time or with regards to potential future revenue streams, the analysis set out in section 4.2 below will be undertaken.

Environmental

We believe activities detrimental to the environment are not sustainable in the long term and will lead to increased costs and/or lower returns on capital.

Factors that are considered are:

- Overall environmental impact of the company's activities;
- Compliance with environmental regulation;
- Where activities are considered to have a high impact, what remediation is being carried out to minimise the impact; and
- Whether activities that are high impact in countries which do not have strong regulations around environmental impact are carefully assessed by the company.

There will be certain circumstances where the environmental impacts of a company's activities are so great that the company is removed from consideration as being investment grade. In these situations, the company will be excluded from consideration for Hyperion's portfolios regardless of other circumstances such as valuation.

Social

Our view is that company activities that do not respect human rights and/or have a detrimental impact on society will not be conducive to long-term economic performance.

Factors that are considered are:

- Overall social impact of the company's activities;
- Where activities have a detrimental social effect, to assess how strong the regulation of the company's activities are;
- Whether the company adheres to their regulatory requirements; and
- Whether the company has been subject to numerous and/or material verified and legitimate complaints from stakeholders (such as employees, shareholders, governments, communities, or other parties interacting with them).

Governance

Our view is that poor governance will result in companies being unattractive investments. Good governance and effective management are vital to the successful implementation of a company's objectives.

Factors that are considered are:

- Management integrity, functioning, composition and culture;
- Whether management and key board members have significant "skin in the game";
- Equity-based remuneration and long-term incentive structures for management;
- Scrutiny of overall remuneration framework;

- Adherence to standard business principles of transparency, honesty, and fair dealing;
- Scrutiny of related-party transactions to ensure they are kept to a minimum and accompanied by full disclosure;
- The degree of diversity across management and the board; and
- Board structure that provides protection and alignment of interests with outside shareholders.

3.3 Modern Slavery Acknowledgement

Hyperion acknowledges our responsibility to respect all human rights. This means ensuring our employees work in conditions that demonstrate respect for people. Further, it means respecting the rights of people indirectly affected by our operations - through our investment portfolios and supply chain. It is an expectation that all companies that Hyperion invests in who are required to comply with *the Modern Slavery Act 2018* (Cth) will produce a Modern Slavery Statement and will proactively monitor and mitigate modern slavery risks within their individual operations and supply chains. Where we believe unacceptable behaviours or risks may exist and/or disclosures are not satisfactory, we will engage with a company to ascertain whether it is acting appropriately.

While Hyperion is not mandated to report under the Modern Slavery Act, we seek to ensure adequate policies and procedures are in place to address modern slavery risks within our own organisation. Further, we take appropriate steps aimed at ensuring our suppliers are taking appropriate actions to assess and address modern slavery risks in their own organisation and supply chain. Hyperion has zero tolerance for any form of modern slavery in its supply chain.

4 Integrating ESG into our Investment Approach

4.1 Screening

Hyperion does not incorporate positive screening into our ESG investment process, however we implement negative screening in the form of exclusions. The exclusions in this Policy apply to all Hyperion portfolios and are the subject of regular review.

Controversial weapons and nuclear weapons

Hyperion does not invest in companies which are involved in the development, production, transferring or stockpiling of biological and chemical weapons, nuclear weapons, depleted uranium ammunition/armour, anti-personnel mines or cluster munitions/sub-munitions and their key components.

Tobacco, tobacco-based products and nicotine alternatives

Hyperion does not invest in companies which are involved in the production of tobacco or the manufacture of nicotine alternatives and/or tobacco-based products.

Client-specific exclusions

Negative exclusions are agreed on a case-by-case basis with mandate clients, which may include additional exclusions to those noted above.

If Hyperion identifies that an investment does not meet its exclusion criteria, we have 90 days to review the investment. After this period, if we decide that there is not a justifiable reason for maintaining the investment, divestment is required as soon as practicable given the circumstances.

4.2 Analysis

ESG factors are considered at the individual company level through detailed fundamental company research, which has formal oversight from three investment team members (including two portfolio managers) at all times. Our long-term investment framework is based on comprehensive fundamental research with a focus on the sustainability of a company's value propositions. Both quantitative metrics and qualitative characteristics relating to ESG are an imperative component of understanding a company.

ESG integration is standardised with set processes which analysts must follow when conducting ESG analysis. However, the research may vary in both scope and method based on individual company factors or the industry a company operates within. It is the responsibility and duty of the investment team member researching a company to apply sound judgement when assessing and evaluating ESG risks. We leverage ESG research from our broker panel and maintain subscriptions for carbon data and carbon risk assessment. We use Ownership Matters, ISS, and CGI Glass Lewis for proxy voting services and general ESG advice.

4.3 Portfolio Construction

Hyperion's portfolios are constructed using a 'bottom-up' methodology. Our fundamental research is highly structured, and all of the key qualitative information and insights are captured in a proprietary research document. A key output of this document is a company's 'Business Quality Score' (**BQS**) which incorporates both a specific ESG score as well as broader business sustainability scoring. These two factors represent approximately 30% of a company's overall BQS which feeds directly into portfolio weightings.

Additionally, Hyperion aims for our portfolios to have a weighted average carbon intensity of at least 75% lower than their respective benchmarks.

5 Industry Collaborations

Hyperion has been a signatory to the United Nations sponsored Principles for Responsible Investment (PRI) since February 2009. We acknowledge that ESG issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, and through time.

As investors, we have a duty to act in the best long-term interests of our clients. Therefore, where consistent with our fiduciary responsibilities, we are committed to adopting the following six PRI principles (Principles):

1. we will incorporate ESG issues into investment analysis and decision-making processes;
2. we will be active owners and incorporate ESG issues into our ownership policies and practices;

3. we will seek appropriate disclosure on ESG issues by the entities in which we invest;
4. we will promote acceptance and implementation of the Principles within the investment industry;
5. we will work together to enhance our effectiveness in implementing the Principles; and
6. we will each report on our activities and progress towards implementing the Principles.

Hyperion completes PRI assessment questionnaires to measure its incorporation of the Principles, the results of which are published on the PRI website.

Hyperion is an official supporter of the Task Force on Climate-related Financial Disclosures (TCFD) and has aligned its climate-related reporting to the TCFD recommendations.

Hyperion is also a member of the Responsible Investment Association Australasia.

6 Engagement

Engaging with investee companies is a natural extension of Hyperion's long-term approach to investment management. It is a requirement for analysts to engage with companies on their ESG strategy and/or policy where disclosures are not satisfactory.

Where appropriate, Hyperion also encourages portfolio companies to implement the TCFD recommendations. This includes better climate-related disclosures, encouraging the calculation and disclosure of carbon emissions, a company plan to reduce carbon footprint, and identify climate-related risks and opportunities.

6.1 Proxy Voting

We believe our role as proxy voters for our clients is important. We take time reviewing third-party research, completing our own research, and where necessary, we will talk with company management to express our thoughts and/or concerns. Where appropriate, Hyperion votes on resolutions relating to our portfolio stocks in accordance with our Voting Policy, which is published on our [website](#).

Hyperion will vote against management proposals if we believe they are not in the best interest of our clients' investments. Hyperion publishes any votes against management on our [website](#), including the rationale for our decision.

Hyperion's voting aligns with our chosen proxy voting advisors, Ownership Matters and ISS, for most issues, however we ensure to apply our own judgement, which in some circumstances may result in Hyperion voting against Ownership Matters and ISS's recommendations.

7 Hyperion as a Business

7.1 Climate-neutral as a Company

Hyperion achieves climate neutrality each year by reducing our carbon footprint and offsetting any residual emissions. We are proud to have done so since our inception in

1996 and we are committed to maintaining our climate neutrality as a company. For further information, please see Hyperion's [website](#).

7.2 Employee Wellbeing

Employee relations

We provide our employees with a flexible, supportive, healthy, and safe working environment where employees can grow and expand their skill set. We encourage an appropriate work/life balance and drive values of client focus, teamwork and being open and fair. Hyperion has a small team of professionals with a collegiate culture and we are passionate about what we do.

Wellbeing of employees

Employees are encouraged to incorporate physical exercise into their working day. Hyperion offers to pay for gym membership for all permanent employees.

Adopting policies and practices which encourage an appropriate work/life balance

Employees are all entitled to take their birthday as an additional day of paid leave and for every 12-month period worked, employees are strongly encouraged to take a minimum of three weeks annual leave. Furthermore, broadband connections and mobile phone plans are paid for by the company to facilitate and support employees working from home.

Providing a stimulating work environment where employees can grow and expand their skillset

Employees are encouraged to continue their learning by enrolling in continuing professional development, industry specific professional development, and optional study that will enhance their ability to fulfil their role at Hyperion.

Community involvement

We support the community, but especially those communities in which our offices are based and encourage our employees in their charitable and community involvement. Hyperion supports the Principles of Fair Trade and does not contribute to any practice where there may be potential abuses of human rights or exploitation of any kind. Team members can volunteer a working day to a charity or social enterprise.

8 Further Information

For further information, please see Hyperion's [website](#).

9 Review and Approval

This Policy is reviewed and approved by the Hyperion Board at a minimum of every two years.